

## Fair Business Practices

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Activities for promoting fair business in accordance with ethical action standards.

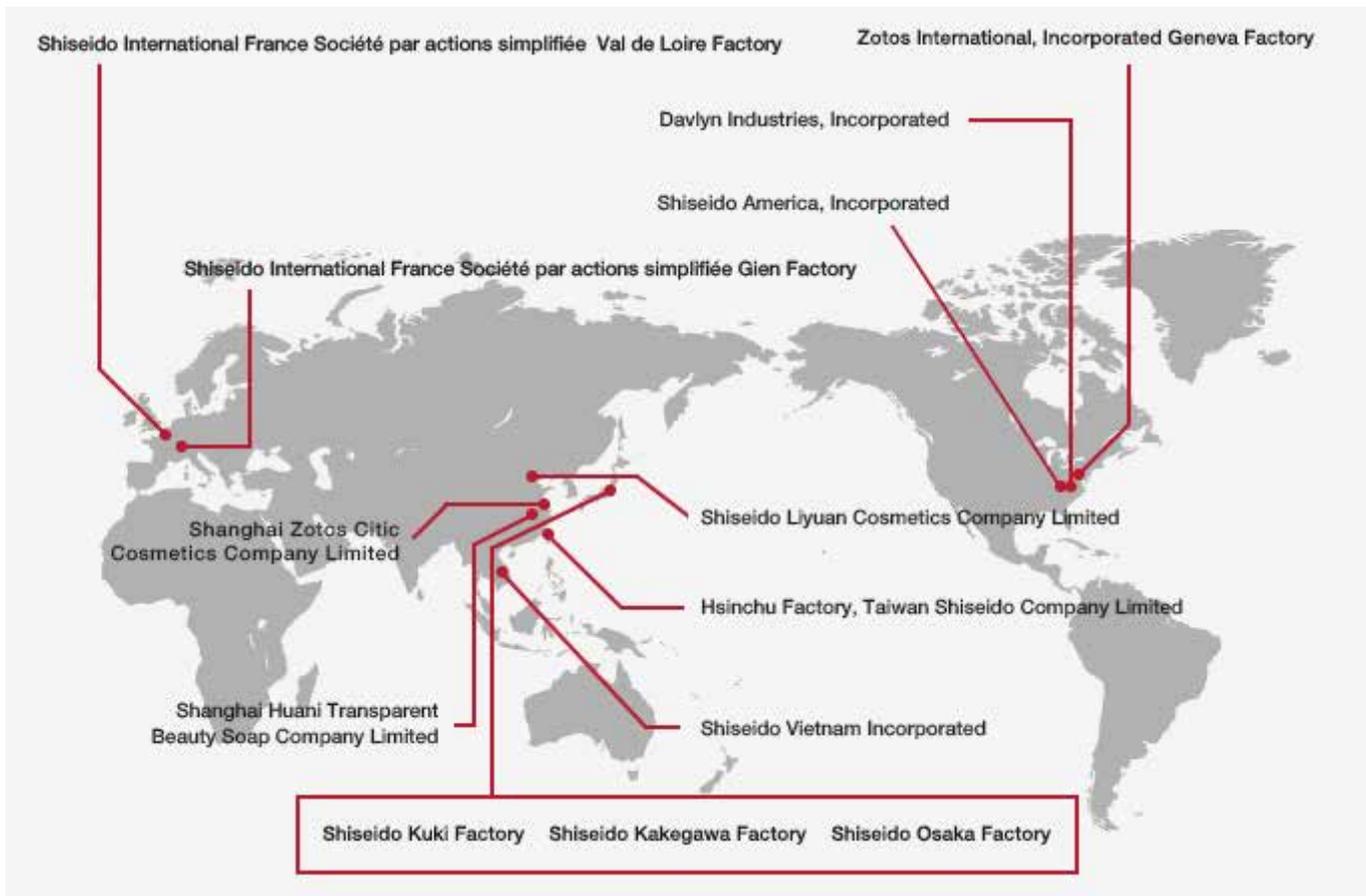
## Fair Competition and Comprehensive Transactions

### Policy for Fair Transactions

Based on "With Business Partners" in Our Way, which is denoted in "Our Mission, Values and Way," Shiseido also aims to realize a good partnership in terms of CSR activity with all business partners, including retailers and suppliers.

Shiseido shares the information of business partners throughout the world and promotes the optimal procurement from a global perspective when purchasing ingredients and fragrances used in the manufacture of cosmetics, packaging, promotional sales materials, and other products. We have also established two "Eco Standards" in production and sales promotional materials by prioritizing the considerations toward safety and global environment, and we also proactively promote these standards in our procurement.

### Manufacturing bases of the Shiseido Group



## **Aiming to Strengthen Partnerships with Our Business Partners -Briefing Session on Purchasing Activity Policy**

In order to address changes of the times and social requirements, with regard to our concept of procurement, Shiseido considers it important to share information with business partners in a timely and accurate manner. Therefore, with the aim of widely spreading the procurement policy, the procurement departments in Japan and China are holding annual briefing sessions of the purchasing activity policy with business partners. Furthermore, the domestic procurement departments are also holding section meetings of purchasing activity policy sessions, which are held by respective fields such as raw materials, fragrances, materials, and indirect materials, to directly communicate the procurement policy, various tasks, and requests in each field as well as to utilize the sessions to respond to questions and requests from business partners.

In 2015, 137 business partners participated in these sessions held by the domestic procurement departments. 134 business partners began participating in these sessions in China, suggesting further development in the future.

## **Awarding business partners who have contributed to the development of the business**

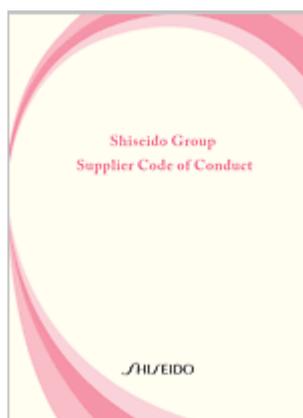
Shiseido awards business partners who have contributed to the development of the business and presents them with the First Prize and Prize. This awarding system selects the awardees from the 3 aspects of quality, cost reduction, and technical development. 6 companies received the awards in fiscal 2015.

## Shiseido Group Supplier Code of Conduct

Shiseido aims to realize its Mission: "We cultivate relationships with people; we appreciate genuine, meaningful values; we inspire a life of beauty and culture" - and works on research, development, manufacturing, and sales of high quality, secure, and safe products and services. We consider every supplier a partner who will create new value with Shiseido and aim to realize sustainable development and highly ethical standards together.

Triggered by the participation in the United Nations Global Compact, we established the "Shiseido Group Supplier Code of Conduct" in 2006 that stipulates standards relevant to "Human Rights," "Legal Compliance," "Labor Practices," "Protection of Intellectual Property and Maintenance Confidentiality," "Protection of the Environment," and "Fair Operating Practices." We revised this Code in December 2011 by incorporating the New Shiseido Group Corporate Philosophy "Our Mission, Values and Way" and the ISO26000 international standard on social responsibilities. Domestic and overseas business partners that fall within the scope of the Shiseido Group Supplier Code of Conduct are required to sign the Code annually. Business partners are closely monitored through questionnaires and regular audits. In the unlikely event that a violation of the Shiseido Group Supplier Code of Conduct is identified, Shiseido will strictly request remedial action and provide corrective guidance and support.

In addition, we have established a "Business Partner Hotline" in Japan to receive feedback from business partners. (No report was made in fiscal 2016.)



Shiseido Group Supplier Code of Conduct (updated in December 2011)

### ■ Transactions Subject to the Shiseido Group Supplier Code of Conduct

Transactions	Purchased Items or Services
Items such as raw materials that are directly used for products	Fragrances, raw materials, etc.
Outsourced products	Cosmetics, beauty equipment, etc.
Sales support products	Small size samples, actual samples, etc.
Packaging	Containers, wrapping materials, package inserts, labels, outer cases, etc.
Outsourced sets	Outsourced set production, etc.
Promotional products	Printed matter (leaflets, catalogs, etc.), premiums, counter furnishings and accessories, sales activity tools, promotional event tools

## **Environmentally-friendly Raw Material Procurement**

In addition to developing environmental technologies to reduce CO<sub>2</sub> emissions, Shiseido strives to create new value through its research and development operations by conducting research into new technologies for implementing value for consumers in an environmentally friendly manner and pursuing software development. In procurement, we strive to use raw materials that do not increase atmospheric concentrations of CO<sub>2</sub> at the time of disposal or incineration, for example through joint research into sugarcane-derived polyethylene. We work closely with our business partners to develop environmentally friendly technologies through initiatives such as procurement with considerations for biodiversity, etc. in order to contribute to the realization of a sustainable society. Some of the specific initiatives include the utilization of bagasse paper, use of plant-based fermented alcohol, sustainable utilization of palm oil, etc.

## Protection of Intellectual Properties

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The Shiseido Group acknowledges the intellectual property activity as the important activity for increasing the brand value and creating innovation. By eyeing their potentials, acquiring new intellectual properties, properly protecting and utilizing them in the entire Group, we will enhance the Shiseido Group's competitiveness in marketing and technology. We also respect others' intellectual property and make sure that all the members in the company acknowledge its importance.

Further, we will ask our business partners to thoroughly follow the same by stating the measures concerning the protection of intellectual property and confidentiality in "The Shiseido Group Supplier Code of Conduct".

Note: Intellectual properties refer to intellectual property rights (patent rights, trademark, copyrights on registered designs, etc.) and business confidentiality (know-how, etc.).

## Information Security Management

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### **| Policy Related to Information Security**

Shiseido establishes Information Security Management Policy (Security Policy) for all people working in the Shiseido Group to protect and maintain various essential information assets owned by business sites of the Shiseido Group by establishing robust information security. Annually we have continuously promoted information security training for employees through initiatives such as conducting relevant e-Learning.

### **| Policy Related to the Protection of Individuals' Information**

Shiseido deeply recognizes the importance of individuals' information acquired through business and other relevant activities and considers it a social responsibility to thoroughly protect such information. Accordingly, we endeavor to steadily take action by establishing the individuals' information protection policy.

## Global Tax Policy

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SHISEIDO Group complies with the laws and regulations in all countries in which we run business. “Our Mission, Values and Way”, our corporate philosophy, sets forth the code of conduct for all employees to ensure our compliance to the law. In addition, we set the global tax policy here to ensure the tax transparency. We aim to maximize the shareholder value by mitigating the tax risk globally.

### Tax Principles

#### Compliance

We comply with the international guideline established by the OECD and the laws and regulations in all countries in which we run business.

#### Governance

The discipline for the compliance and accurate tax accounting is set forth in “Our Mission, Values and Way”, our corporate philosophy, and shared with all employees to ensure the tax transparency. We will resolve the tax issues by managing the tax risk locally by each RHQ, and sharing the tax information globally in a timely manner.

#### Responsibilities and Organization for the Tax Compliance

Tax compliance is under the responsibility of the CFO. To manage the global tax risk effectively, tax team of HQs manages the tax compliance of the group, and CFOs at each RHQ manage the tax compliance in their region. Each RHQ assigns the employees with tax expertise as necessary. We provide trainings to employees to raise awareness on the tax compliance.

#### Maximization of the Shareholder Value

In order to improve the shareholder value, we strengthen the governance and save tax by utilizing tax incentives where applicable in the ordinary course of business.

#### Transfer Pricing

Our transfer pricing policy is in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations of each country in which we run business. The pricing for the intercompany transaction is determined based on the policy.

#### Tax Havens

We do not utilize the tax havens to solely avoid tax.

## **| Relationship with the Tax Authorities**

We cooperate with the tax authorities and build a good relationship with them.

## Shiseido UK Tax Policy

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SHISEIDO Group complies with the laws and regulations in all countries in which we run businesses. “Our Mission, Values and Way”, our corporate philosophy, sets forth the code of conduct for all employees to ensure our compliance to the law. In addition, we set the global tax policy to ensure tax transparency.

The following document lays out the company’s strategy and approach for the United Kingdom. We publish this statement to meet our obligation under Paragraphs 19(2) and 22(2) of Schedule 19 of FA2016.

### **Governance and Responsibilities**

The discipline for the compliance and accurate tax accounting is set forth in “Our Mission, Values and Way”, our corporate philosophy, and shared with all employees to ensure tax transparency.

The Chief Financial Officer (CFO) is ultimately responsible for Shiseido’s overall tax risks. We will resolve the tax issues by managing the tax risk locally by each Regional Head Quarters (RHQ) and sharing the tax information globally in a timely manner.

Tax compliance is under the responsibility of the CFO. To manage the global tax risk effectively, the tax team of Global Head Quarters (HQ) manages the tax compliance of the group, and CFOs at each RHQ manage the tax compliance in their region. Each RHQ assigns the employees with tax expertise as necessary. We provide trainings to employees to raise awareness on the tax compliance.

The Senior Accounting Officer (SAO) is responsible for the day-to-day management of the UK tax risks. In the UK, this role is performed by the UK&I Group CFO.

### **Tax Planning**

Shiseido’s tax arrangements are based on its commercial business and economic activities. Shiseido monitors and reviews its operations in the UK and elsewhere to realign its tax arrangements when necessary to be compliant with the tax rules and regulations.

Globally, we comply with the international guideline established by the Organisation for Economic Co-operation (OECD) and the laws and regulations in all countries in which we run businesses.

Our transfer pricing policy is in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations of each country in which we run business. The pricing for the intercompany transaction is determined based on the policy. We adhere to the UK Double Tax Treaties and the relevant guidance issued by the OECD for international tax matters.

### **Tax Risk**

We aim to maximize the shareholder value by mitigating the tax risk globally.

We will resolve the tax issues by managing the tax risk locally by each RHQ and sharing the tax information globally in a timely manner.

Where there is complexity or uncertainty we may seek support from external advisors.

## **| Relationship with Her Majesty's Revenue & Customs (HMRC)**

We seek to build and sustain relationships with government and HMRC that are constructive and based on mutual respect. We work collaboratively wherever possible to resolve disputes and to achieve early agreement and certainty.